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Prepared By _____

Approved By _____

An act to add Section 43015.6 to the Health and Safety Code, relating to greenhouse gases, and making an appropriation therefor, to take effect immediately, bill related to the budget.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 43015.6 is added to the Health and Safety Code, to read:

43015.6. (a) Notwithstanding any other law, the Director of Finance may allocate any moneys derived from the sale of any greenhouse gas emission allowances sold pursuant to any market-based compliance mechanism adopted by the state board that are deposited to the credit of the Greenhouse Gas Reduction Account in the Air Pollution Control Fund to support the regulatory purposes of Chapter 488 of the Statutes of 2006 (Assembly Bill 32) to achieve short-term and long-term technologically feasible and cost-effective reductions in greenhouse gas emissions.

(b) (1) Not fewer than 30 days prior to allocating any moneys pursuant to subdivision (a), the state board and the Department of Finance shall submit an expenditure plan to the Assembly Committee on Appropriations, the Senate Committee on Appropriations, and the Joint Legislative Budget Committee detailing the proposed use of the moneys in the Greenhouse Gas Reduction Account in the Air Pollution Control Fund to support the regulatory purposes of Chapter 488 of the Statutes of 2006.

(2) The proposed expenditure plan prepared pursuant to paragraph (1) shall provide for the expenditure of funds to assist in achieving the goal of reducing greenhouse gas emissions and also, where applicable and to the extent feasible, do each of the following:

- (A) Maximize economic and environmental benefits to the state.
- (B) Complement efforts to improve air quality.
- (C) Direct investment toward the most disadvantaged communities in the state.

(D) Provide opportunities for small businesses, schools, affordable housing associations, water agencies, local governments, and other community institutions to participate in and benefit from statewide efforts to reduce greenhouse gas emissions.

(3) The proposed expenditure plan prepared pursuant to paragraph (1) shall recommend programs and projects that are necessary or desirable to facilitate the achievement of feasible and cost-effective reductions of greenhouse gas emissions consistent with Chapter 488 of the Statutes of 2006. The plan may include, but need not be limited to, research, development, and deployment of innovative technologies that help to meet the 2020 statewide limit on emissions of greenhouse gases established pursuant to Chapter 488 of the Statutes of 2006. The proposed expenditure plan may include, but is not limited to, any of the following:

(A) Clean and efficient energy, including funding for any of the following:

(i) Industrial and manufacturing facilities to reduce greenhouse gas emissions by investment in energy efficiency, energy storage, and clean and renewable energy projects.

(ii) Public universities, schools, water agencies, and other public facilities and fleets to reduce greenhouse gas emissions by investment in energy and water use efficiency, energy storage, and clean and renewable energy and fuel projects.

(iii) The federal Energy Efficiency and Conservation Block Grant Program and the federal Weatherization Assistance Program.

(iv) Residential and commercial energy efficiency and distributed generation programs that serve to reduce greenhouse gas emissions.

(B) Low-carbon transportation and infrastructure, including funding to reduce greenhouse gas emissions by investments in any of the following:

(i) Public transportation and sustainable transportation and infrastructure development.

(ii) Programs for clean vehicles and the advancement of transportation technologies, including, but not limited to, the Air Quality Improvement Program (Article 3 (commencing with Section 44274) of Chapter 8.9).

(iii) Advanced transportation and fueling infrastructure for zero-emission vehicles, including hydrogen fuel cell vehicles.

(iv) Local and regional sustainable development efforts.

(v) Low-carbon goods movement and freight vehicle technologies and infrastructure, including, but not limited to, locomotives and heavy-duty trucks.

(C) Natural resource protection, including funding to reduce greenhouse gas emissions by investments in any of the following:

(i) Natural resource management programs and projects.

(ii) Land conservation and restoration.

(iii) Development and implementation of sustainable agriculture, forestry, and related water, land, and resource management practices.

(c) The Legislature finds that California's Greenhouse Gas Cap-and-Trade program is a regulatory program authorized by Chapter 488 of the Statutes of 2006 (Assembly Bill 32), and the funds generated by the program are regulatory fees that conform with *Sinclair Paint Co. v. State Bd. of Equalization* (1997) 15 Cal.4th 866. Any fees generated by the regulatory program established pursuant to Chapter 488 of

the Statutes of 2006 and deposited in the Greenhouse Gas Reduction Account shall be allocated only after determining that the use of moneys for that program or project is consistent with the requirements for the use of moneys derived from valid regulatory fees, as established by the California Supreme Court in *Sinclair Paint Co. v. State Bd. of Equalization* (1997) 15 Cal.4th 866.

(d) Any fees generated by the regulatory program established pursuant to Chapter 488 of the Statutes of 2006 shall be used for programs related to the reduction of greenhouse gas emissions. If a court determines that an expenditure or use of these fees pursuant to this section is unlawful, then only that expenditure or use shall be enjoined and any moneys unlawfully spent shall be reimbursed to the Greenhouse Gas Reduction Account.

(e) The Director of Finance shall not allocate moneys until he or she determines sufficient funds have been deposited in the Greenhouse Gas Reduction Account.

SEC. 2. The sum of one thousand dollars (\$1,000) is hereby appropriated from the General Fund to the State Air Resources Board for administrative costs associated with this act.

SEC. 3. This act is a bill providing for appropriations related to the Budget Bill within the meaning of subdivision (e) of Section 12 of Article IV of the California Constitution, has been identified as related to the budget in the Budget Bill, and shall take effect immediately.

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LEGISLATIVE COUNSEL'S DIGEST

Bill No.

as introduced, _____.

General Subject: California Global Warming Solutions Act of 2006: Greenhouse Gas
Reduction Account: allocations.

(1) The California Global Warming Solutions Act of 2006 designates the State Air Resources Board as the state agency charged with monitoring and regulating sources of emissions of greenhouse gases. The state board is required to adopt a statewide greenhouse gas emissions limit equivalent to the statewide greenhouse gas emissions level in 1990 to be achieved by 2020, and to adopt rules and regulations in an open public process to achieve the maximum, technologically feasible, and cost-effective greenhouse gas emission reductions. The act authorizes the state board to include in its regulations the use of market-based compliance mechanisms. The act authorizes the state board to adopt a schedule of fees to be paid by the sources of greenhouse gas emissions regulated pursuant to the act, and requires the revenues collected pursuant

to that fee schedule be deposited into the Air Pollution Control Fund and be available, upon appropriation by the Legislature, for the purposes of carrying out the act.

This bill authorizes the Director of Finance to allocate, as specified, funds from the sale of greenhouse gas emission allowances to support the regulatory purposes of Chapter 488 of Statutes of 2006 to achieve short-term and long-term technologically feasible and cost-effective reductions in greenhouse gas emissions. The bill would require the state board and the Department of Finance to submit an expenditure plan to specified legislative committees detailing the proposed funding of specified programs and projects using moneys in the Greenhouse Gas Reduction Account.

(2) This bill would appropriate \$1,000 from the General Fund to the state board for administrative costs associated with the bill.

(3) This bill would declare that it is to take effect immediately as a bill providing for appropriations related to the Budget Bill.

Vote: majority. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.